



October 26, 2011

Chairman Jud Gilbert
Tax Policy Committee
Michigan House of Representatives
124 North Capitol Avenue
P.O. Box 30014
Lansing, MI 48909-7514

RE: SB 0335 and SB 0336

Dear Chairman Gilbert:

On behalf of Verizon, I am writing in support of two bills pending in your committee, SB 335 and SB 336. This legislation clarifies that remote access to computer software via Software as a Service ("SaaS") transactions, is a service not subject to Michigan's sales and use tax. I urge you to favorably report these bills out of committee at the earliest opportunity.

As a provider of SaaS, a type of cloud computing supplied remotely over the internet, Verizon faces uncertainty regarding the proper Michigan sales and use tax treatment of these remote access transactions. In SaaS transactions, the customer never downloads any software and never has possession or control of the software. The provider of the service has full possession and control of the software and uses the software to provide a service to its customer. As such, these transactions are clearly outside the Michigan sales and use tax statutes.

In addition to providing clarity, this legislation would enhance Michigan's economic climate. With the growing demand for cloud computing, this legislation would establish a clear, pro-business tax environment that companies will view favorably when making expansion decisions.

Verizon supports SB 335 and SB 336 and urges that you report them favorably at the earliest opportunity. I can be reached at (517) 668-0626 with any questions.

Respectfully submitted:

David Vehslage
State Director – Government & External Affairs

CC:

Tax Policy Committee – Representatives Walsh, Horn, Farrington, Foster, Posthumus-Lyons, Nesbitt, O'Brien, Olson, Ouimet, Constan, Barnett, Kandrevas, Meadows, Townsend, Cavanagh, Hobbs